

**ANDALEX**  
RESOURCES, INC

P.O. BOX 902  
PRICE, UTAH 84501  
PHONE (435) 637-5385  
FAX (435) 637-8860

RECEIVED

NOV 13 2006

DIV. OF OIL, GAS & MINING

November 08, 2006

Utah Division of Oil, Gas & Mining  
Coal Program  
1594 West North Temple, Suite 1210  
Box 145801  
Salt Lake City, Utah 84114-5801

Attn: Pamela Grubaugh-Littig  
Permit Supervisor

Re: Wildcat Loadout, C/007/0033, Reclamation Bond

Dear Ms. Grubaugh-Littig,

Enclosed please find two copies of executed Exhibit "D" for attachment into the reclamation agreement for the new Wildcat Loadout reclamation bond.

Thank you very much.

Sincerely,

Michael W. Glasson  
Resident Agent

cc: Pete Hess  
Dave Shaver

*Fireproof* *OK*  
*C/007/06 33*

Fireproof  
2/007/0033 OK

## **EXHIBIT "B"**

### **Bonding Agreement Surety Bond**

(Federal Coal)

Surety Bond Number \_\_\_\_\_

**EXHIBIT "B"**  
**SURETY BOND**  
**(FEDERAL COAL)**  
**--ooOOoo--**

This **SURETY BOND** entered into and by and between the undersigned **PERMITTEE/PRINCIPAL** Andalex Resources, Inc., and **SURETY** Rockwood Casualty Insurance Co. hereby jointly and severally bind ourselves, our heirs, administrators, executors, successors and assigns unto the State of Utah, Division of Oil, Gas and Mining (hereafter referred to as the "**DIVISION**"), and the U.S. Department of the Interior, Office of Surface Mining Reclamation and Enforcement (hereafter referred to as "**OSM**") in the penal sum of \$651,000.00 (\$) (Surety Bond Amount) for the timely performance of reclamation responsibilities of the Permittee in the Bonded Area described in Exhibit "A" of that certain **RECLAMATION AGREEMENT**, dated the 5<sup>th</sup> day of MAY, 2015 by and between the **DIVISION** and the **PERMITTEE/PRINCIPAL**.

This **SURETY BOND** shall remain in effect until all of the **PERMITTEE'S/PRINCIPAL'S** reclamation obligations have been met and released by the **DIVISION** with the concurrence of **OSM** and is conditioned upon faithful performance of all of the requirements of the Utah Coal Mining Reclamation Act, Utah Code Ad. §40-12-2 et. seq. (the **ACT**), the Surface Mine Control and Reclamation Act ("**SMCRA**"), and all lawful regulation adopted under the authority of those statutes, and the approved Permit (which is based upon the approved Permit Application Package).

The **SURETY** will not cancel this bond at any time for any reason, including non-payment of premium or bankruptcy of the **PERMITTEE/PRINCIPAL** during the period of liability.

The **SURETY** and their successors and assigns, agree to guarantee the obligation and to indemnify, defend, and hold harmless the **DIVISION** and **OSM** from any and all expenses which the **DIVISION** may sustain as a result of the **PERMITTEE'S/PRINCIPAL'S** failure to comply with the condition(s) of the reclamation obligation.

The **SURETY** will give prompt notice to the **PERMITTEE/PRINCIPAL**, the **DIVISION** and **OSM** of any notice received or action alleging the insolvency or bankruptcy of the **SURETY**, or alleging any violations or regulatory requirements which could result in suspension or revocation of the **SURETY'S** license.

Upon incapacity of the **SURETY** by reason of bankruptcy, or suspension or revocation of license, the **PERMITTEE/PRINCIPAL** shall be deemed to be without Bond coverage in violation of state and federal law and subject to enforcement in accordance with **SMCRA**, the **ACT**, and the applicable regulations.

Exhibit "B"  
Federal Surety Bond  
Federal

Surety Bond Number \_\_\_\_\_  
Mine Name/Number Wildcat Loadout Facility C/007/0033

The terms for release of this **BOND** are as written and agreed to by the **DIVISION** and the **PERMITTEE/PRINCIPAL** in the **RECLAMATION AGREEMENT**, incorporated by reference herein, to which this **SURETY AGREEMENT** has been attached as Exhibit "B".

In the event the Utah Cooperative Agreement is terminated, this **SURETY BOND** shall be payable only to the OSM to the extent that lands covered by the Federal Lands Program are involved and otherwise to the **DIVISION**.

IN WITNESS WHEREOF, the **PERMITTEE/PRINCIPAL** has hereunto set its signature and seal this 26<sup>th</sup> day of October, 2006.


Andalex Resources, Inc.  
**PERMITTEE/PRINCIPAL**

By: 

Title: Douglas H. Smith, President

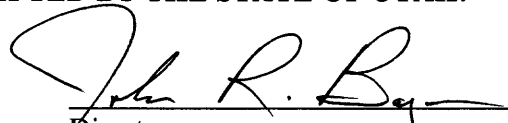
IN WITNESS WHEREOF, the **SURETY** has hereunto set its signature and seal this 20th day of October, 2006

Rockwood Casualty Insurance Company  
**SURETY**

By:   
John P. Yediny

Title: President & Atty-in-Fact

**SURETY BONDING AGREEMENT ACCEPTED BY THE STATE OF UTAH:**

  
Director  
Division of Oil, Gas and Mining

**NOTE:** An **Affidavit of Qualification** must be completed and attached to this form for each authorized agent or officer. Where one signs by virtue of Power of Attorney for a company, such Power of Attorney must be filed with the Agreement. If the **PERMITTEE** is a corporation, the Agreement shall be executed by its duly authorized officer.

# **EXHIBIT “A”**

**Bonded Area  
Legal Description**  
(Federal Coal)

Exhibit "A"  
Legal Description  
Federal

Bond Number \_\_\_\_\_

### EXHIBIT "A"

Pursuant to R645-301- 820.110, the surety bond covers an identified increment of land within the permit area upon which the operator will initiate and conduct coal mining and reclamation operations during the initial term of the permit. This area is identified as:

Map(s) showing the BONDED AREA within the approved PERMIT AREA :

Wildcat Loadout Surface Facilities Plate 1 map attached

#### Legal description of BONDED AREA:

This permit area is located within B.L.M. Right-of-Way U-48027 on the "Standardville" U.S. Geological survey 7.5 minute quadrangle map, and is further described as follows:

Salt Lake Base and Meridian, Utah Township 13 South, Range 9 East, Section 33, NW $\frac{1}{4}$ SE $\frac{1}{2}$ , N1/2 SW $\frac{1}{4}$  SE $\frac{1}{4}$ , E $\frac{1}{2}$ E $\frac{1}{2}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$ , E $\frac{1}{2}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$ SW $\frac{1}{4}$ , NE $\frac{1}{4}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$  SW $\frac{1}{4}$ , NW $\frac{1}{4}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$ SW $\frac{1}{4}$ NE $\frac{1}{4}$ , and portions of N $\frac{1}{2}$ NW $\frac{1}{4}$ NE  $\frac{1}{4}$ SE $\frac{1}{4}$ , NE $\frac{1}{4}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$ , SW $\frac{1}{4}$ SW $\frac{1}{4}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ SE $\frac{1}{4}$ SW $\frac{1}{4}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ NE,  $\frac{1}{4}$ SW $\frac{1}{4}$ , W $\frac{1}{2}$ E $\frac{1}{2}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$ , W $\frac{1}{2}$ E $\frac{1}{2}$ SE $\frac{1}{4}$ SW $\frac{1}{4}$ .

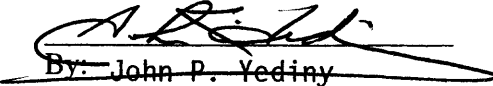
In addition, there is a parcel of land 500 feet by 500 feet square whose southeast corner is located 990 feet east of the center of section 33.

The above described area shall be modified as necessary to correspond to an increase in the area disturbed as a result of an expansion of coal mining and reclamation operations. The described area may also be decreased as a result of partial reclamation.

IN WITNESS WHEREOF the SURETY has hereunto set its signature and seal this

20th day of October, 2006.

Rockwood Casualty Insurance Company  
SURETY

  
By: John P. Yediny

President & Atty-in-Fact  
Title:



ACAD REF: Plate 1



**ANDALEX**  
RESOURCES, INC.

**AFFIDAVITS  
OF  
QUALIFICATION**



Bond Number \_\_\_\_\_

**AFFIDAVIT OF QUALIFICATION  
SURETY COMPANY**

--ooOOoo--

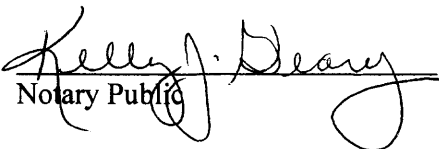
I, John P. Yediny, being first duly sworn under oath, deposes and says that he/she is the (officer or agent) Officer of Rockwood Casualty Ins. Co.; and that he/she is duly authorized to execute and deliver the foregoing obligations; and that said SURETY COMPANY is authorized to execute the same and has complied in all respects with the laws of Utah in reference to becoming sole surety upon bonds, undertakings and obligations herein.

  
(Signed) President  
Surety Company Officer - Position

Attest:

STATE OF Pennsylvania )  
 ) ss:  
COUNTY OF Somerset )

Subscribed and sworn to before me this 20th day of October, 2006.

  
Notary Public

My Commission Expires:  
Notarial Seal  
Kelly J. Geary, Notary Public  
Rockwood Boro, Somerset County, 20\_\_\_\_.  
My Commission Expires Mar. 6, 2007  
Member, Pennsylvania Association of Notaries

**ROCKWOOD CASUALTY INSURANCE COMPANY**  
**654 Main Street**  
**Rockwood, PA 15557**

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS: That the ROCKWOOD CASUALTY INSURANCE COMPANY, a Corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania and having its principal office in the Borough of Rockwood, PA does hereby nominate, constitute and appoint:

John P. Yediny

its true and lawful agent and attorney-in-fact, to make, execute, seal and deliver for and on its behalf as surety, and as its act and deed any and all bonds, contracts, agreements of indemnity and other undertakings in suretyship (NOT INCLUDING bonds without a fixed penalty or financial guarantee) provided, however, that the penal sum of any one such instrument executed hereunder shall not exceed the sum of:

Six hundred fifty-one thousand and 00/100-----(\$651,000.00)

This Power of Attorney is granted and is signed and sealed under and by the authority of the following Resolution adopted by the Board of Directors of ROCKWOOD CASUALTY INSURANCE COMPANY:

"RESOLVED, That the President, Senior Vice President, Vice President, Assistant Vice President, Secretary, Treasurer and each of them hereby is authorized to execute powers of attorney, and such authority can be executed by use of facsimile signature, which may be attested or acknowledged by any officer or attorney, of the Company, qualifying the attorney or attorneys named in the given power of attorney, to execute in behalf of, and acknowledge as the act and deed of the ROCKWOOD CASUALTY INSURANCE COMPANY, all bond undertakings and contracts of suretyship, and to affix the corporate seal thereto."

IN WITNESS WHEREOF, ROCKWOOD CASUALTY INSURANCE COMPANY has caused its official seal to be hereunto affixed and these presents to be signed by its duly authorized officer the 20th day of October, 2006.

ROCKWOOD CASUALTY INSURANCE COMPANY

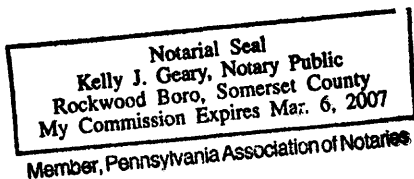
By

Philip S. Kift, Vice President

STATE OF PENNSYLVANIA  
COUNTY OF SOMERSET SS:

On this 20th day of October A.D. 2006, before me, a Notary Public of the Commonwealth of Pennsylvania, in and for the County of Somerset, duly commissioned and qualified, came THE ABOVE OFFICER OF THE COMPANY, to me personally known to be the individual and officer described in, and who executed the preceding instrument, and he acknowledged the execution of same, and being by me duly sworn, deposed and said that he is the officer of the said Company aforesaid, and that the seal affixed to the preceding instrument is the Corporate Seal of said Company, and the said Corporate Seal and his signature as officer were duly affixed and subscribed to the said instrument by the authority and direction of the said corporation, and that Resolution adopted by the Board of Directors of said Company, referred to in the preceding instrument is now in force.

IN TESTIMONY WHEREOF, I have hereunto set my hand, and affixed my Official Seal at the Borough of Rockwood, the day and year first above written.



Kelly J. Geary  
(Notary Public)

I, the undersigned Officer of the ROCKWOOD CASUALTY INSURANCE COMPANY, a Pennsylvania Corporation of Rockwood, PA, do hereby certify that the original POWER OF ATTORNEY of which the foregoing is a full, true and correct copy is still in full force and effect and has not been revoked.

IN WITNESS WHEREOF, I have hereunto set my hand, and affixed the Seal of said Company, on the 20th day of October, 2006.

David W. Hay, Vice President

## **EXHIBIT "D"**

### **Stipulation to Revise Reclamation Agreement (Federal)**

Exhibit "D"  
Stipulation to Revise  
Reclamation Agreement  
Federal

Permit Number: PRO 007/033  
Effective Date: 5/5/89  
Bond Number:                     

**COAL**  
**STIPULATION TO REVISE RECLAMATION AGREEMENT**  
--ooOOoo--

This **STIPULATION TO REVISE RECLAMATION AGREEMENT** entered into by and between the **PERMITTEE** and **DIVISION** incorporates the following revisions or changes to the **RECLAMATION AGREEMENT**: (Identify and Describe Revisions below)

In accordance with this **STIPULATION TO REVISE RECLAMATION AGREEMENT**, the following Exhibits have been replaced by the **PERMITTEE** and are approved by the **DIVISION**.

\_\_\_\_\_ Replace the Reclamation agreement in its entirety.

\_\_\_\_\_ Replace Exhibit "A"- permit area.

\_\_\_\_\_ Replace Exhibit "B"- bonding agreement

\_\_\_\_\_ Replace Exhibit "C"- liability insurance

The bonding amount is revised from \$ \_\_\_\_\_ to \$ \_\_\_\_\_.

The bonding type is changed from ILOC to Bond.

The surface disturbance is revised from \_\_\_\_\_ acre to \_\_\_\_\_ acres.

The expiration date is revised from \_\_\_\_\_ to \_\_\_\_\_.

The liability insurance carrier is changed from \_\_\_\_\_ to \_\_\_\_\_.

The amount of insurance coverage for bodily injury and property damage is changed  
from  
\$ \_\_\_\_\_ to \$ \_\_\_\_\_.

Exhibit "D"  
Stipulation to Revise  
Reclamation Agreement  
Federal

IN WITNESS WHEREOF, Andalex Resources, Inc. the PERMITTEE has hereunto set  
its signature and seal this 8<sup>th</sup> day of November, 2006.

Andalex Resources, Inc.

PERMITTEE

By: [Signature]

Title: President

ACCEPTED BY THE STATE OF UTAH this 20<sup>th</sup> day of November, 2006

[Signature]  
Director,

Division of Oil, Gas and Mining

**NOTE:** An Affidavit of Qualification must be completed and attached to this form for each authorized agent or officer. Where one signs by virtue of Power or Attorney of a company, such Power of Attorney must be filed with this Agreement. If the PERMITTEE is a corporation, the Agreement shall be executed by its duly authorized officer.

Bond Number \_\_\_\_\_

**AFFIDAVIT OF QUALIFICATION  
PERMITTEE**

--ooOOoo--

I, Douglas H. Smith, being first duly sworn under oath, deposes and says that he/~~she~~ is  
the (officer ~~or agent~~) President of Andalex Resources, Inc. ;  
and that he/~~she~~ is duly authorized to execute and deliver the foregoing obligations; and that said  
PERMITTEE is authorized to execute the same and has complied in all respects with the laws of  
Utah in reference to commitments, undertakings and obligations herein.

Douglas H. Smith

(Signed)

Name - Position

Douglas H. Smith  
President

Attest: Merleadorn Kaur  
Secretary of the Corporation

STATE OF Utah )

) ss:

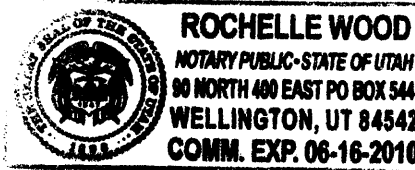
COUNTY OF Carbon )

Subscribed and sworn to before me this 14 day of November, 20 06

Rochelle Wood  
Notary Public

My Commission Expires:

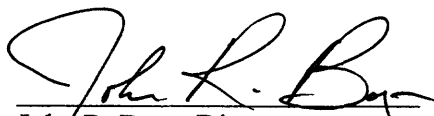
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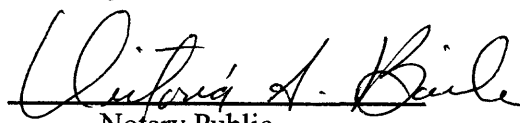
Bond Number \_\_\_\_\_

**AFFIDAVIT OF QUALIFICATION  
DIRECTOR  
--ooOOoo--**

John R. Baza, being first duly sworn under oath, deposes and says that he is the Director for the Division of Oil, Gas and Mining, Department of Natural Resources, State of Utah; and that he is duly authorized to execute and deliver the foregoing obligations; and that said Director is authorized to execute the same by authority of laws on behalf of the State of Utah.

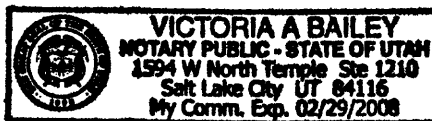
  
John R. Baza, Director  
Division of Oil, Gas and Mining

Subscribed and sworn to before me this 27<sup>th</sup> day of November 2006.

  
Notary Public

My Commission Expires:

February 29, 2008.



Attest:

STATE OF Utah )

COUNTY OF Salt Lake ) ss: